

Report of the Directors

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31st July, 2003.

PRINCIPAL ACTIVITIES

The Company's principal activities during the year consisted of the trading of garments, property investment and investment holding.

The Group's principal activities did not change during the year and included the manufacture and trading of garments, property development, property investment and investment holding.

SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to results by principal activity and geographical area of operations for the year ended 31st July, 2003 is set out in note 4 to the financial statements.

RESULTS

The Group's loss for the year ended 31st July, 2003 and the state of affairs of the Company and the Group as at that date are set out in the financial statements on pages 29 to 75.

FIXED ASSETS AND INVESTMENT PROPERTIES

Details of movements in the fixed assets and investment properties of the Company and the Group during the year are set out in notes 13 and 14 to the financial statements, respectively. Further details of the Group's investment properties are set out on page 24.

PROPERTIES UNDER DEVELOPMENT

Details of movements in the properties under development of the Group during the year are set out in note 15 to the financial statements. Further details of the Group's properties under development are set out on page 25.

SHARE CAPITAL

Details of share capital of the Company during the year are set out in note 27 to the financial statements.

RESERVES

Details of the movements in the reserves of the Company and the Group during the year are set out in note 28 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31st July, 2003, the Company did not have any reserves for distribution in accordance with the provisions of Section 79B of the Companies Ordinance.

DONATIONS

During the year, the Group made charitable and other donations totalling HK\$6,262,000.

Report of the Directors

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group's sales to its five largest customers accounted for less than 30% of the Group's combined sales and the Group's purchases from its five largest suppliers accounted for less than 30% of the Group's combined purchases.

DIRECTORS

The directors of the Company as at the date of this report and those who were in office during the year are as follows:

Lim Por Yen (*Chairman and Managing Director*)

Lam Kin Ngok, Peter (*Deputy Chairman*)

Lam Kin Ming (*Deputy Chairman*)

Shiu Kai Wah

Lee Po On

Lam Kin Hong, Matthew

U Po Chu

Chiu Wai

Lai Yuen Fong

Lam Wai Kei, Vicky #

Wan Yee Hwa, Edward *

Leung Shu Yin, William *

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Alternate director to Madam Lai Yuen Fong

* *Independent non-executive directors*

In accordance with Article 102 of the Company's Articles of Association, Mr. Lim Por Yen, Mr. Shiu Kai Wah, Mr. Lam Kin Hong, Matthew and Madam Lai Yuen Fong retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election at the said meeting.

DIRECTORS' SERVICE CONTRACTS

None of the directors proposed for re-election at the forthcoming Annual General Meeting has a service contract with the Company and/or any of its subsidiaries, which is not determinable by the employing company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 5 to the financial statements, no director had a material interest, whether direct or indirect, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year and up to the date of this report, the following directors of the Company are considered to have interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Report of the Directors

DIRECTORS' INTERESTS IN COMPETING BUSINESS (continued)

Mr. Lim Por Yen, Mr. Lam Kin Ngok, Peter, Mr. Lam Kin Ming, Madam U Po Chu and Madam Lai Yuen Fong held interests and/or directorships in companies engaged in the businesses of property investment and development in Hong Kong and the Mainland, and garment manufacturing and related businesses.

As the Board is independent from the boards of the aforesaid companies and none of the above directors of the Company can control the Board, the Group is capable of carrying on its businesses independently of, and at arm's length from, the businesses of such companies.

CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACTS

At no time during the year had the Company or any of its subsidiaries, and the controlling shareholder or any of its subsidiaries entered into any contract of significance or any contract of significance for the provision of services by the controlling shareholder or any of its subsidiaries to the Company or any of its subsidiaries.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Directors

Executive Directors

Mr. Lim Por Yen, Chairman and Managing Director of the Company, aged 88, is the founder of the Lai Sun Group and has been a director of the Company since October 1987. He is also the honorary chairman of Lai Sun Development Company Limited, the chairman of Crocodile Garments Limited and Lai Fung Holdings Limited, and an executive director of eSun Holdings Limited. Mr. Lim first became involved in the property and investment business in the mid-1950's and has over 60 years' experience in the garment business. He is an honorary citizen of the city of Guangzhou, the city of Swatow, the city of Xiamen and the city of Zhong Shan in the People's Republic of China. Mr. Lim was also one of the Hong Kong Affairs Advisers to the People's Republic of China and is a founder member of The Better Hong Kong Foundation.

Mr. Lam Kin Ngok, Peter, aged 46, is a Deputy Chairman of the Company. He has been a director of the Company since October 1987. Mr. Lam is also the chairman and president of Lai Sun Development Company Limited, and an executive director of eSun Holdings Limited, Crocodile Garments Limited and Lai Fung Holdings Limited. Mr. Lam has extensive experience in the property and investment business. He is a director of the Real Estate Developers Association of Hong Kong, a member of the Hong Kong Hotel Owners Association and a council member of the Anglo Hong Kong Trust. Mr. Lam is a son of Mr. Lim Por Yen and is the younger brother of Mr. Lam Kin Ming.

Mr. Lam Kin Ming, aged 66, is a Deputy Chairman of the Company. He has been a director of the Company since October 1987 and has been involved in the management of garment business since 1958. Mr. Lam is also the deputy chairman of Crocodile Garments Limited and Lai Fung Holdings Limited, and a non-executive director of Lai Sun Development Company Limited and eSun Holdings Limited. Mr. Lam is also an alternate director to certain directors of Lai Fung Holdings Limited. Mr. Lam is a son of Mr. Lim Por Yen and is the elder brother of Mr. Lam Kin Ngok, Peter.

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Directors (continued)

Executive Directors (continued)

Mr. Shiu Kai Wah, aged 71, has been a director of the Company since December 1990. He is also a non-executive director of Lai Sun Development Company Limited, eSun Holdings Limited, Lai Fung Holdings Limited and Crocodile Garments Limited. Mr. Shiu has over 30 years' experience in the management of the garment business.

Mr. Lee Po On, aged 48, has been a director of the Company since June 1991. Mr. Lee is also an executive director and the chief executive officer of eSun Holdings Limited and a director of Lai Fung Holdings Limited. Mr. Lee joined the Lai Sun Group in November 1987 and held the position of chief executive officer of Asia Television Limited from 1992 to 1996. He is a Fellow of the Association of Chartered Certified Accountants with substantial financial and commercial experience.

Mr. Lam Kin Hong, Matthew, aged 35, was appointed a director of the Company in March 2001. He is a legal adviser of the Company and is also an executive director of Crocodile Garments Limited, and an executive director and the chief executive officer of Lai Fung Holdings Limited. He attained a Bachelor of Science degree from the University of London and underwent his training as a solicitor with an international law firm, Messrs. Richards Butler. He is a member of the Law Society of Hong Kong and the Law Society of England and Wales. Mr. Lam has considerable experience in the property development and corporate finance fields in Hong Kong and China. Mr. Lam is a son of Mr. Lim Por Yen and is the younger brother of Mr. Lam Kin Ming and Mr. Lam Kin Ngok, Peter.

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Non-Executive Directors

Madam U Po Chu, aged 78, has been a director of the Company since December 1990. She is also a non-executive director of Lai Sun Development Company Limited, Crocodile Garments Limited and eSun Holdings Limited, and an executive director of Lai Fung Holdings Limited. Madam U has over 55 years' experience in the garment manufacturing business and had been involved in the printing business in the mid-1960's. In the early 1970's, she started to expand the business to fabric bleaching and dyeing, and in the late 1980's also became involved in property development and investment. In 2000, Madam U began investing in the catering industry in Hong Kong. Madam U is Mr. Lim Por Yen's wife.

Mr. Chiu Wai, aged 72, has been a director of the Company since October 1987. Mr. Chiu is also a non-executive director of Lai Sun Development Company Limited, eSun Holdings Limited, Lai Fung Holdings Limited and Crocodile Garments Limited. Mr. Chiu has over 45 years' experience in production management. He has been working for the Lai Sun Group's garment business since 1955.

Madam Lai Yuen Fong, aged 89, has been a director of the Company since May 1992. Madam Lai is Mr. Lim Por Yen's wife.

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Directors (continued)

Non-Executive Directors (continued)

Miss Lam Wai Kei, Vicky, aged 31, was appointed the alternate director to Madam Lai Yuen Fong in September 2001. She graduated from the University of Southern California in the United States with bachelor's degrees in business administration and architecture in 1996. She is a member of the American Institute of Architects and prior to joining the Lai Sun Group in August 2000, she worked as an architect and project manager with Skidmore, Owings and Merrill Co. Ltd., an architects firm in New York which participated in various substantial projects such as the New York Stock Exchange, John Kennedy Airport and Times Square Tower. She is currently a vice president of Kingscord Investment Limited, a wholly-owned subsidiary of the Company engaged in property investments in the Mainland of China and Hong Kong. Miss Lam is a daughter of Mr. Lam Kin Ming and a granddaughter of Mr. Lim Por Yen.

Mr. Wan Yee Hwa, Edward, aged 67, was appointed an independent non-executive director of the Company in March 2002. Mr. Wan is also an independent non-executive director of Crocodile Garments Limited. He has been a certified public accountant in Hong Kong since 1961.

Mr. Leung Shu Yin, William, aged 54, is an independent non-executive director of the Company. Mr. Leung is a certified public accountant, a member of the Hong Kong Securities Institute and a fellow of both the Association of Chartered Certified Accountants and the Hong Kong Society of Accountants. He is practising as a practising director of two Certified Public Accountants' firms in Hong Kong and is also an independent non-executive director of another two companies listed in Hong Kong.

Senior Management

Mr. Lau Shu Yan, Julius, aged 47, joined the Lai Sun Group in July 1991 as a director of Lai Sun Development Company Limited. Mr. Lau has over 15 years of experience of holding senior management positions in the property and securities industries. He was a director of Jones Lang Wootton Limited and then Jardine Fleming Broking Limited prior to his current appointment. Mr. Lau is a director and a member of the Executive Committee of the Real Estate Developers Association of Hong Kong.

Mr. Wu Shiu Kee, Keith, aged 40, joined the Lai Sun Group in November 1997 and was appointed a director of Lai Sun Development Company Limited on 1st January, 1998. He has over 15 years' experience in investment research and asset management. Prior to his appointment in the Lai Sun Group, Mr. Wu served as a director and head of Hong Kong/China Research for Peregrine Brokerage Limited. He holds a Bachelor in Science degree from the University of Toronto and a Master in Science degree from Stanford University.

Mr. Lien Jown Jing, Vincent, aged 42, first joined the Lai Sun Group as an independent non-executive director of eSun Holdings Limited ("eSun") in August 1998 and was later appointed an executive director and elected the chairman of eSun in December 1999. He has over 14 years' experience in banking and corporate finance in Hong Kong and the Mainland of China, Singapore and South-east Asia, having held various senior positions at different major multinational banking institutions.

Report of the Directors

DIRECTORS' INTERESTS

As at 31st July, 2003, the following directors and chief executive of the Company were interested, or were deemed to be interested in the following long and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of the Securities and Futures Ordinance (the "SFO")) which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Code for Securities Transactions by Directors adopted by the Company to be notified to the Company and the Stock Exchange:

(1) The Company

Name of Director	Personal Interests	Long positions in the shares			Total	Percentage
		Family Interests	Corporate Interests	Capacity		
Lim Por Yen	484,991,750	3,669,000 (Note 1)	Nil	Beneficial owner	488,660,750	33.99%
Lam Kin Ngok, Peter	110,794,951	Nil	Nil	Beneficial owner	110,794,951	7.71%
Lam Kin Ming	4,451,790	Nil	Nil	Beneficial owner	4,451,790	0.31%
U Po Chu	3,669,000	484,991,750 (Note 2)	Nil	Beneficial owner	488,660,750	33.99%
Chiu Wai	199,600	Nil	Nil	Beneficial owner	199,600	0.01%
Lai Yuen Fong	Nil	488,660,750 (Note 3)	Nil	Beneficial owner	488,660,750	33.99%

Notes:

1. Mr. Lim Por Yen was deemed to be interested in 3,669,000 shares by virtue of the interest in such shares of his spouse, Madam U Po Chu.
2. Madam U Po Chu was deemed to be interested in 484,991,750 shares by virtue of the interest in such shares of her spouse, Mr. Lim Por Yen.
3. Madam Lai Yuen Fong was deemed to be interested in 488,660,750 shares by virtue of the interest in such shares of her spouse, Mr. Lim Por Yen.

Long positions in underlying shares of equity derivatives

None of the directors nor the chief executive of the Company were interested or deemed to be interested in long positions in underlying shares of equity derivatives.

Short positions in underlying shares of equity derivatives

None of the directors nor the chief executive of the Company were interested or deemed to be interested in short positions in underlying shares of equity derivatives.

Report of the Directors

DIRECTORS' INTERESTS (continued)

(2) Associated Corporations

(a) Lai Sun Development Company Limited ("LSD")

Name of Director	Long positions in shares of LSD					
	Personal Interests	Family Interests	Corporate Interests	Capacity	Total	Percentage
Lim Por Yen	197,859,550	633,400 (Note 1)	1,582,869,192 (Note 2)	Beneficial owner	1,781,362,142	47.55%
Lam Kin Ngok, Peter	10,099,585	Nil	Nil	Beneficial owner	10,099,585	0.27%
U Po Chu	633,400	1,780,728,742 (Note 3)	Nil	Beneficial owner	1,781,362,142	47.55%
Chiu Wai	195,500	Nil	Nil	Beneficial owner	195,500	0.01%
Lai Yuen Fong	Nil	1,781,362,142 (Note 4)	Nil	Beneficial owner	1,781,362,142	47.55%
Lam Wai Kei, Vicky	100,000	Nil	Nil	Beneficial owner	100,000	0.0027%

Notes:

- Mr. Lim Por Yen was deemed to be interested in 633,400 shares in LSD by virtue of the interest in such shares of his spouse, Madam U Po Chu.
- The Company and its wholly-owned subsidiary beneficially owned 1,582,869,192 ordinary shares in LSD. Mr. Lim Por Yen was deemed to be interested in such shares in LSD by virtue of his interest (including that of his spouse) of approximately 33.99% in the issued share capital of the Company. Mr. Lim Por Yen, Mr. Lam Kin Ngok, Peter, Mr. Lam Kin Ming and Madam U Po Chu were directors of the Company and held an interest of approximately 42% in aggregate in the issued share capital of the Company.
- Madam U Po Chu was deemed to be interested in 1,780,728,742 shares in LSD by virtue of the interest in such shares of her spouse, Mr. Lim Por Yen.
- Madam Lai Yuen Fong was deemed to be interested in 1,781,362,142 shares in LSD by virtue of the interest in such shares of her spouse, Mr. Lim Por Yen.

Long positions in underlying shares of equity derivatives of LSD

None of the directors nor the chief executive of the Company were interested or deemed to be interested in long positions in underlying shares of equity derivatives of LSD.

Short positions in underlying shares of equity derivatives of LSD

None of the directors nor the chief executive of the Company were interested or deemed to be interested in short positions in underlying shares of equity derivatives of LSD.

Report of the Directors

DIRECTORS' INTERESTS (continued)

(2) Associated Corporations (continued)

(b) eSun Holdings Limited ("eSun")

Name of Director	Personal Interests	Long positions in shares of eSun			Capacity	Total	Percentage
		Family Interests	Corporate Interests				
Lim Por Yen	Nil	Nil	285,512,791 (Note 1)	Beneficial owner	285,512,791	42.54%	
Lee Po On	5,195,934	Nil	Nil	Beneficial owner	5,195,934	0.77%	
U Po Chu	Nil	285,512,791 (Note 2)	Nil	Beneficial owner	285,512,791	42.54%	
Lai Yuen Fong	Nil	285,512,791 (Note 3)	Nil	Beneficial owner	285,512,791	42.54%	

Notes:

- eSun is an associated corporation of the Company as LSD and its wholly-owned subsidiaries beneficially owned 285,512,791 shares in eSun. The Company and its wholly-owned subsidiary held an interest of approximately 42.25% in the issued ordinary share capital of LSD. Mr. Lim Por Yen was deemed to be interested in such shares in eSun by virtue of his interest (including that of his spouse) of approximately 33.99% in the issued share capital of the Company. Mr. Lim Por Yen, Mr. Lam Kin Ngok, Peter, Mr. Lam Kin Ming and Madam U Po Chu were directors of the Company and held an interest of approximately 42% in aggregate in the issued share capital of the Company.
- Madam U Po Chu was deemed to be interested in 285,512,791 shares in eSun by virtue of the interest in such shares of her spouse, Mr. Lim Por Yen.
- Madam Lai Yuen Fong was deemed to be interested in 285,512,791 shares in eSun by virtue of the interest in such shares of her spouse, Mr. Lim Por Yen.

Long positions in underlying shares of equity derivatives of eSun

None of the directors nor the chief executive of the Company were interested or deemed to be interested in long positions in underlying shares of equity derivatives of eSun.

Short positions in underlying shares of equity derivatives of eSun

None of the directors nor the chief executive of the Company were interested or deemed to be interested in short positions in underlying shares of equity derivatives of eSun.

Report of the Directors

DIRECTORS' INTERESTS (continued)

(2) Associated Corporations (continued)

(c) Lai Fung Holdings Limited ("Lai Fung")

Name of Director	Long positions in shares of Lai Fung					Total	Percentage
	Personal Interests	Family Interests	Corporate Interests	Capacity			
Lim Por Yen	Nil	Nil	2,120,550,431 (Note 1)	Beneficial owner	2,120,550,431	46.04%	
U Po Chu	Nil	2,120,550,431 (Note 2)	Nil	Beneficial owner	2,120,550,431	46.04%	
Lai Yuen Fong	Nil	2,120,550,431 (Note 3)	Nil	Beneficial owner	2,120,550,431	46.04%	

Notes:

1. The Company and its wholly-owned subsidiary beneficially owned 2,120,550,431 shares in Lai Fung. Mr. Lim Por Yen was deemed to be interested in such shares in Lai Fung by virtue of his interest (including that of his spouse) of approximately 33.99% in the issued share capital of the Company. Mr. Lim Por Yen, Mr. Lam Kin Ngok, Peter, Mr. Lam Kin Ming and Madam U Po Chu were directors of the Company and held an interest of approximately 42% in aggregate in the issued share capital of the Company.
2. Madam U Po Chu was deemed to be interested in 2,120,550,431 shares in Lai Fung by virtue of the interest in such shares of her spouse, Mr. Lim Por Yen.
3. Madam Lai Yuen Fong was deemed to be interested in 2,120,550,431 shares in Lai Fung by virtue of the interest in such shares of her spouse, Mr. Lim Por Yen.

Long positions in underlying shares of equity derivatives of Lai Fung

None of the directors nor the chief executive of the Company were interested or deemed to be interested in long positions in underlying shares of equity derivatives of Lai Fung.

Short positions in underlying shares of equity derivatives of Lai Fung

None of the directors nor the chief executive of the Company were interested or deemed to be interested in short positions in underlying shares of equity derivatives of Lai Fung.

Report of the Directors

DIRECTORS' INTERESTS (continued)

(2) Associated Corporations (continued)

(d) Crocodile Garments Limited ("CGL")

Name of Director	Personal Interests	Long positions in shares of CGL			Capacity	Total	Percentage
		Family Interests	Corporate Interests				
Lim Por Yen	Nil	Nil	338,982,809 (Note 1)	Beneficial owner	338,982,809	54.93%	
Lee Po On	6,194,000	Nil	Nil	Beneficial owner	6,194,000	1.00%	
U Po Chu	Nil	338,982,809 (Note 2)	Nil	Beneficial owner	338,982,809	54.93%	
Lai Yuen Fong	Nil	338,982,809 (Note 3)	Nil	Beneficial owner	338,982,809	54.93%	

Notes:

1. The Company and its wholly-owned subsidiary beneficially owned 338,982,809 shares in CGL. Mr. Lim Por Yen was deemed to be interested in such shares in CGL by virtue of his interest (including that of his spouse) of approximately 33.99% in the issued share capital of the Company. Mr. Lim Por Yen, Mr. Lam Kin Ngok, Peter, Mr. Lam Kin Ming and Madam U Po Chu were directors of the Company and held an interest of approximately 42% in aggregate in the issued share capital of the Company.
2. Madam U Po Chu was deemed to be interested in 338,982,809 shares in CGL by virtue of the interest in such shares of her spouse, Mr. Lim Por Yen.
3. Madam Lai Yuen Fong was deemed to be interested in 338,982,809 shares in CGL by virtue of the interest in such shares of her spouse, Mr. Lim Por Yen.

Long positions in underlying shares of equity derivatives of CGL

None of the directors nor the chief executive of the Company were interested or deemed to be interested in long positions in underlying shares of equity derivatives of CGL.

Short positions in underlying shares of equity derivatives of CGL

None of the directors nor the chief executive of the Company were interested or deemed to be interested in short positions in underlying shares of equity derivatives of CGL.

Save as disclosed above, as at 31st July, 2003, none of the directors and chief executive of the Company were interested, or were deemed to be interested in the long and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Code for Securities Transactions by Directors adopted by the Company to be notified to the Company and the Stock Exchange.

Report of the Directors

ARRANGEMENT FOR DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable a director of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS

As at 31st July, 2003, the following persons, some of whom are directors or chief executive of the Company, had an interest in the following long positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name	Capacity	Long positions in the shares		Percentage
		Nature (Note 1)	Number of Shares	
Lim Por Yen	Beneficial owner	Personal and Family	488,660,750	33.99% (Note 2)
Lam Kin Ngok, Peter	Beneficial owner	Personal	110,794,951	7.71% (Note 3)
U Po Chu	Beneficial owner	Personal and Family	488,660,750	33.99% (Note 4)
Lai Yuen Fong	Beneficial owner	Family	488,660,750	33.99% (Note 5)
Far East Consortium International Limited	Beneficial owner	Corporate	108,697,000	7.56% (Note 3)

Notes:

1. Personal, family and corporate denote personal interest, family interest and corporate interest, respectively.
2. Mr. Lim Por Yen was deemed to be interested in 3,669,000 shares by virtue of the interest in such shares of his spouse, Madam U Po Chu.
3. Persons falling into the category of "Other Persons" in Practice Note 5 to the Listing Rules.
4. Madam U Po Chu was deemed to be interested in 484,991,750 shares by virtue of the interest in such shares of her spouse, Mr. Lim Por Yen.
5. Madam Lai Yuen Fong was deemed to be interested in 488,660,750 shares by virtue of the interest in such shares of her spouse, Mr. Lim Por Yen.

Save as disclosed above, no other person was recorded in the register required to be kept under section 336 of the SFO as having an interest or short position in the shares and underlying shares of the Company as at 31st July, 2003.

Report of the Directors

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the financial year ended 31st July, 2003, there was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed securities.

DETAILS OF PROPERTIES

The principal investment properties of the Group are as follows:

Location	Group interest	Tenure	Use
Por Yen Building, No. 478 Castle Peak Road, Kowloon, Hong Kong	100%	Inland Lot No. 2081 is held for a term of 99 years commencing on 1st July, 1898 and renewable for a further term of 50 years	Industrial/rental
Shop G9/9A and G10 on ground floor, Room no. 213A on 2nd floor and Room no. 413A on 4th floor, Hankow Centre, 5-15 Hankow Road, 41-51 Peking Road, 4, 4A and 4B Ashley Road and 1, 1A-1E Middle Road, Tsim Sha Tsui, Kowloon, Hong Kong	54.93%	Inland Lot No. 8219 is held for a term of 150 years commencing on 24th June, 1895	Commercial/rental
The whole of basement, Shop No. 24 on Ground and Mezzanine Floors, Shop No. 33B on Ground and Mezzanine Floors, Tsimshatsui Mansion, Nos. 83-97 Nathan Road, Nos. 36-50 Lock Road, Tsim Sha Tsui, Kowloon, Hong Kong	54.93%	The property is held under Conditions of Renewal No.5289 for a term of 150 years commencing on 24th June, 1889	Commercial/rental
Crocodile Building, No. 79 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong	54.93%	Inland Lot No. 692 is held for a term of 92 years commencing on 1st July, 1955	Commercial/rental

The Group's investment properties are situated in Hong Kong and are held under medium leases.

Report of the Directors

DETAILS OF PROPERTIES (continued)

Particulars of the Group's property under development are as follows:

Location	Group interest	Stage of construction	Expected completion date	Expected use	Gross floor area
A piece of land at junction of Da Tong Road and Zhi Jiang Xi Road, Su Jia Xiang, Zhabei, Shanghai, PRC	95%	Development under planning	2004	Commercial/residential	The total site area is 41,800 sq.m. The total gross floor area will be 194,000 sq.m.

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and of the assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the published audited financial statements and adjusted as appropriate, is set out below.

RESULTS

	Year ended 31st July,				
	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000
TURNOVER	<u>1,295,241</u>	<u>1,297,622</u>	<u>1,317,571</u>	<u>2,966,884</u>	<u>3,180,510</u>
LOSS BEFORE TAX	(24,626)	(1,162,612)	(608,191)	(3,061,925)	(7,658,991)
Tax	<u>(32,639)</u>	<u>(28,622)</u>	<u>(18,695)</u>	<u>(29,211)</u>	<u>(49,758)</u>
LOSS BEFORE MINORITY INTERESTS	(57,265)	(1,191,234)	(626,886)	(3,091,136)	(7,708,749)
Minority interests	<u>26,199</u>	<u>(9,040)</u>	<u>(2,550)</u>	<u>2,008,849</u>	<u>4,074,093</u>
NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	<u>(31,066)</u>	<u>(1,200,274)</u>	<u>(629,436)</u>	<u>(1,082,287)</u>	<u>(3,634,656)</u>

Report of the Directors

SUMMARY OF FINANCIAL INFORMATION (continued) ASSETS, LIABILITIES AND MINORITY INTERESTS

	As at 31st July,				
	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000
Fixed assets	31,465	35,581	234,067	376,975	2,414,824
Investment properties	246,900	221,100	142,800	77,700	10,034,000
Properties under development	176,397	177,228	188,702	187,840	7,982,105
Goodwill	89,887	107,867	125,847	128,366	258,544
Deferred pre-operating expenses	—	—	—	—	10,718
Interests in associates	1,661,272	1,659,150	2,788,652	2,654,130	1,124,655
Interests in jointly-controlled entities	—	—	—	—	188,572
Long term investments	—	—	—	—	1,018,389
Long term note receivable	—	—	—	—	245,000
Current assets	<u>489,998</u>	<u>648,098</u>	<u>513,174</u>	<u>493,410</u>	<u>2,613,982</u>
TOTAL ASSETS	<u>2,695,919</u>	<u>2,849,024</u>	<u>3,993,242</u>	<u>3,918,421</u>	<u>25,890,789</u>
Current liabilities	(502,819)	(629,733)	(509,953)	(450,086)	(5,133,268)
Note payable	(210,000)	(210,000)	—	—	—
Long term deposits received	(6,875)	(23,375)	(39,875)	—	(102,635)
Interest-bearing bank and other borrowings	—	(7)	(2,387)	(7,858)	(3,195,936)
Provision for premium on bonds redemption	—	—	—	—	(249,554)
Provision for premium on convertible note redemption	—	—	—	—	(1,667)
Convertible bonds	—	—	—	—	(2,098,581)
Convertible note	—	—	—	—	(600,000)
Long term bonds payable	—	—	—	—	(891,250)
Deferred tax	—	—	—	(1,063)	(188)
TOTAL LIABILITIES	<u>(719,694)</u>	<u>(863,115)</u>	<u>(552,215)</u>	<u>(459,007)</u>	<u>(12,273,079)</u>
MINORITY INTERESTS	<u>(117,958)</u>	<u>(144,156)</u>	<u>(182,541)</u>	<u>(198,880)</u>	<u>(9,123,369)</u>
	<u>1,858,267</u>	<u>1,841,753</u>	<u>3,258,486</u>	<u>3,260,534</u>	<u>4,494,341</u>

Report of the Directors

CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the accounting period covered by the annual report. All the non-executive directors of the Company were not appointed for a specific term as they are subject to retirement by rotation and re-election at the Company's Annual General Meeting in accordance with the Articles of Association of the Company.

AUDIT COMMITTEE

The Company has established an audit committee in accordance with the requirements of the Code of Best Practice, for the purpose of reviewing the Group's financial reporting process and internal controls. The audit committee comprises the two independent non-executive directors of the Company.

AUDITORS

Ernst & Young retire at the forthcoming Annual General Meeting and a resolution for their reappointment as auditors of the Company will be proposed at the said meeting.

On Behalf of the Board

Lim Por Yen

Chairman & Managing Director

Hong Kong

7th November, 2003